

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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STR-04 CEA-01 L-03 /084 W
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R 171050Z MAY 77
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 7477
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
USMISSION BERLIN UNN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
USMISSION NATO
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 6805

C O R R E C T E D C O P Y TEXT PARA 1

E.O. 11652: GDS
TAGS: ECIN, EFIN, COMECON
SUBJ: RECENT DEVELOPMENTS IN USE OF TRANSFERABLE RUBLE

REFS: (A) MOSCOW 5478, (B) MOSCOW 1016

SUMMARY: VOLUME OF INTRA-CEMA SETTLEMENTS IN TRANSFERABLE
RUBLES (TR) GREW BY 23 PERCENT IN 1976, ACCORDING TO BALANCE
SHEET OF THE INTERNATIONAL BANK FOR ECONOMIC COOPERATION
(IBEC). IBEC OFFICIAL USED THIS FACT TO JUSTIFY CLAIM FOR
ENHANCEMENT OF ROLE OF TR MADE BY CEMA EXECUTIVE COMMITTEE
(REF A). HE ALSO STATED THAT INCREASED COOPERATION IN
PLANNING AND ESPECIALLY IN INDUSTRIAL SPECIALIZATION AMONG
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CEMA COUNTRIES WOULD LEAD TO AN INCREASED ROLE FOR TR,
WHICH IS IN EFFECT CREATED BY IBEC TO COVER BALANCE-OF-PAYMENT
DEFICITS AMONG MEMBER COUNTRIES. HE HINTED THAT IN FUTURE
THERE WOULD BE INCREASE IN PLANNED DEFICITS AND HENCE IN
USE OF TR CREDITS. HE DID ACKNOWLEDGE THAT SOME DEFICITS
WERE COVERED BY DIRECT CREDITS GRANTED BY THE SURPLUS
COUNTRY TO THE DEFICIT ONE. THE VOLUME OF IBEC

OPERATIONS IN CONVERTIBLE CURRENCIES INCREASED IN 1976 BY 11 PERCENT TO EQUIVALENT OF 70 BILLION TR. ALTHOUGH WE FORESEE AN INCREASE IN VOLUME OF TR TRANSACTIONS AS INTRA-CEMA TRADE CONTINUES TO GROW, WE REMAIN SKEPTICAL THAT IT CAN BECOME A TRULY MULTILATERAL DEBT INSTRUMENT IN VIEW OF STATE TRADE MONOPOLIES IN CEMA COUNTRIES. WE BELIEVE THAT DIRECT BILATERAL CREDITS WILL CONTINUE AS THE MOST IMPORTANT INSTRUMENT FOR SETTLING DEBTS AMONG MEMBER COUNTRIES. END SUMMARY.

1. DURING MEETING ON MAY 11 REQUESTED BY EMBOFF TO DISCUSS SIGNIFICANCE OF RECENT STATEMENT ON FURTHER DEVELOPMENT OF THE ROLE OF THE TRANSFERABLE RUBLE (TR) (REFTEL A) IBEC MANAGING DIRECTOR MIROSHNICHENKO STATED THAT 1976 HAD SEEN INCREASE IN USE OF TR BY MEMBER COUNTRIES AS MEANS OF SETTLING MULTILATERALLY THEIR AWUTSTANDING DEFICITS WITHIN CEMA. THUS IN 1976 VOLUME OF MUTUAL SETTLEMENTS REACHED 82.5 BILLION TR, AN INCREASE OF 23 PERCENT OVER 1975. CREDITS GRANTED BY IBEC IN 1976 WERE 4,223.6 MILLION TR AND OUTSTANDING LIABILITIES OF MEMBER BANKS TO IBEC WERE 1,011.2 MILLION TR. MIROSHNICHENKO FURTHER STATED THAT ROLE OF TR WILL BE ENHANCED THROUGH IMPROVED PLAN COORDINATION AND INDUSTRIAL SPECIALIZATION AGREEMENTS AMONG CEMA COUNTRIES. CEMA COUNTRIES' SPECIALIZATION AGREEMENTS THAT CALL FOR CONSTRUCTION OF PLANT IN ONE COUNTRY, WITH OTHER INTERESTED PARTIES PROVIDING MACHINERY, ETC. ON A COMPENSATORY BASIS WILL RESULT IN PLANNED IMBALANCE IN TRADE,

FOR WHICH IBEC WILL PROVIDE CREDITS IN TR'S (AND SOMETIMES
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IN HARD CURRENCIES) FOR UP TO THREE YEARS. SUCH ARRANGEMENTS SHOULD GREATLY INCREASE USE OF TR SETTLEMENTS, ACCORDING TO MIROSHNICHENKO. THEY WILL ALSO LEAD TO A GREATER HARMONIZATION OF FINANCIAL SYSTEMS IN CEMA COUNTRIES AND TO DRAWING UP OF CREDIT PLANS.

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C O N F I D E N T I A L SECTION 2 OF 2 MOSCOW 6805

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2. EMBOFF ASKED FOR CLARIFICATION OF PRESENT SYSTEM FOR
USING TR. MIROSHNICHENKO EXPLAINED THAT AT PRESENT IBEC
CLEARS THE ACCOUNTS HELD BY MEMBER BANKS ON A MULTILATERAL
BASIS. ALTHOUGH MOST TRANSACTIONS THROUGH IBEC ARE
GENERATED BY FOREIGN TRADE (95 PERCENT OF 82.5 BILLION TR
FIGURE), THERE ARE OTHER FINANCIAL TRANSACTIONS SUCH AS
TOURISM AND "OTHERS" THAT ALSO PASS THROUGH IBEC. AFTER
MULTILATERAL CLEARING HAS BEEN DONE, IF A COUNTRY HAS A
DEFICIT POSITION, IT IS AUTOMATICALLY EXTENDED A TR CREDIT
BY IBEC TO COVER ITS DEFICIT. (MIROSHNICHENKO ACKNOWLEDGED
THAT THESE CONSTITUTE BALANCE-OF -PAYMENTS CREDITS.) THESE
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CREDITS ARE FOR UP TO THREE YEARS BUT A COUNTRY CANNOT RUN
OVERALL CEMA DEFICIT FOR LONGER THAN THREE YEARS IN A
ROW. IN THE FOURTH YEAR IT MUST RUN A SURPLUS IN ITS IBEC
ACCOUNTS AND BEGIN REPAYMENT OF IBEC CREDITS. IT IS
POSSIBLE, HOWEVER, FOR INDIVIDUAL COUNTRIES TO GRANT
"DIRECT" CREDITS TO A CEMA TRADING PARTNER. SUCH CREDITS
DO NOT AFFECT IBEC BUT ARE STRICTLY BETWEEN THE MEMBER
COUNTRIES. IBEC CREDITS ARE UNLIMITED IN AMOUNTS, BUT LIMITED
IN LENGTH OF CREDIT. AND IBEC WILL NOT EXTEND CREDITS TO
COVER REPAYMENT OF PAST CREDITS.

3. MIROSHNICHENKO EXPLAINED THAT PART OF IBEC CREDITS WAS
IN CONVERTIBLE CURRENCIES TO COVER NECESSARY MACHINERY

IMPORTS FROM WESTERN COUNTRIES. IBEC BALANCE SHEET FOR 1976 SHOWS THAT OF TOTAL VOLUME OF OPERATIONS OF 186.1 BILLION TR, 70 BILLION TR WAS IN CONVERTIBLE CURRENCY. HE ACKNOWLEDGED THAT SUCH HIGH VOLUME DID INDICATE THAT MANY OF THESE IBEC CONVERTIBLE CURRENCY CREDITS WERE SHORTEER, BUT MAINTAINED THAT MEDIUM-TERM CONVERTIBLE CURRENCY CREDITS WERE ALSO GIVEN. COMMENT: WE WILL FOLLOW-UP WITH WESTERN BANKERS HERE ON POSSIBLE INTERPRETATIONS FOR HIGH VOLUME OF HARD-CURRENCY OPERATIONS. END COMMENT.

4. ACCORDING TO MAROSHNICHENKO, THE PLANNED ECONOMY SYSTEM OF THE CEMA COUNTRIES ALLOWED THEM TO RUN LARGE PLANNED DEFICITS BECAUSE THE PLANS ALSO PROVIDED FOR SURPLUSES AT LATER DATE TO REPAY CREDITS. THUS HE PROCLAIMED NOT TO UNDERSTAND CONCERN EXPRESSED IN WEST OVER SIZE OF DEBTS OF CEMA COUNTRIES. HE ALSO CLAIMED THAT IBEC HAD EXCELLENT RELATIONS WITH WESTERN BANKS, WHO EXPRESSED ABSOLUTELY NO CONCERN REGARDING FOREIGN-CURRENCY DEBT POSITION OF IBEC.

5. COMMENT: ALTHOUGH INCREASED USE OF TR IN MULTILATERAL FINANCIAL TRANSACTIONS MAY BE A POSSIBILITY, ESPECIALLY WHERE TRADE DEFICITS ARE INCLUDED IN PRODUCTION SPECIALIZATION. CONFIDENTIAL

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TION AGREEMENTS AND HENCE IN TRADE PROTOCOLS, WE REMAIN SKEPTICAL CONCERNING A MORE GENERALIZED USE OF THE TR AS A DEBT INSTRUMENT. SINCE EACH OF MEMBER COUNTRIES EXERCISES A STATE MONOPOLY OVER TRADE, A TR SURPLUS IN A COUNTRY'S ACCOUNT WITH IBEC STILL CANNOT BE FREELY USED TO PURCHASE DESIRED GOODS IN ANOTHER MEMBER COUNTRY. HENCE WE SUSPECT THAT THE STRICTLY BILATERAL CREDIT ARRANGEMENTS MENTIONED BY MIROSHNICHENKO ARE NOW AND WILL REMAIN INTO THE FORESEEABLE FUTURE AS THE PRINCIPAL INSTRUMENT FOR CREATING AND SETTLING IMBALANCES IN INTRA-CEMA BILATERAL TRADE AND NOT THE TR'S CREATED BY IBEC. MATLOCK

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